



Amendment [H-1291](#) to [SF 396](#) – Government Efficiency (LSB 1864SV.2)
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Fiscal Note Version – New

Description

Amendment [H-1291](#) to [SF 396](#) requires the Department of Administrative Services (DAS) to develop and implement a plan to centralize all Executive Branch human resources (HR) management functions within the department and requires all state agencies, except the Board of Regents, to cooperate with the DAS consolidation efforts. According to the department's tentative plans, HR consolidation will be implemented in three phases.

The amendment also eliminates the Abuse Education Review Panel and assigns the responsibilities of the review panel to the Department of Public Health.

Background

In response to Executive Order 20, issued in December 2009, the DAS conducted research relating to the feasibility of consolidating all Executive Branch HR functions under a single entity. The department's tentative plan is to accomplish HR consolidation in three phases over three fiscal years.

- Phase I: Consolidation of human resource associates and personnel assistants (technical staff) into the DAS HR enterprise.
- Phase II: Consolidation of professional staff responsible for compensation, labor relations, workers' compensation, and general consultation services into the DAS HR enterprise.
- Phase III: Consolidation of professional staff responsible for recruitment, nonmerit selection, affirmative action, discrimination and harassment investigations, civil rights, workforce, and diversity planning. Also included in phase III are additional savings associated with the acquisition of a Human Resources Management System (HRMS)/payroll system to replace the current mainframe system that was purchased in the 1980s.

Assumptions

- The estimates associated with the reduction of HR costs are based on research conducted by the DAS in 2010 and updated in 2011. The savings to the state's HR functions will result from the elimination of positions assigned to HR.
- Phase I will result in the consolidation of HR services of 16 state agencies into the DAS HR enterprise in FY 2014, resulting in a decrease of 34.0 FTE positions with an average salary and benefit cost per FTE of \$60,582.
- Phase II will result in the reduction of 4.0 FTE positions with an average salary and benefit cost per FTE of \$55,000 in FY 2015.
- Phase III will result in the reduction of 10.0 FTE positions in FY 2015, with an average salary and benefit cost per FTE of \$112,500. To accomplish Phase III of HR consolidation, the DAS plans to acquire an HRMS/payroll system to replace the current mainframe system. The initial implementation fee of a new system is estimated to cost between \$3.0 million and

\$4.0 million. An annual fee of \$2.0 million to \$4.0 million will be required to maintain the system. It is assumed that the cost to purchase the HRMS/payroll system will be assessed to state agencies through a utility fee established by the state's customer council. For purposes of this fiscal note, the midpoint of the above estimated ranges are used.

Fiscal Impact

Amendment H-1291 is estimated to reduce the state's net cost of HR management by \$405,000 annually and a reduction of 48.0 FTE positions when fully implemented in FY 2016. For FY 2014, the reduction in HR costs are estimated to save \$2.1 million. For FY 2015 and subsequent years, the estimated savings in HR costs will total \$3.4 million due to the elimination positions assigned to HR functions. The costs associated with the acquisition of an HRMS/payroll system are estimated at \$6.5 million in FY 2015. Of this amount, \$3.5 million is a one-time implementation fee. The table below shows the impact of amendment H-1291.

| | FY 2014 | FY 2015 | Annual Impact in Subsequent Fiscal Years |
|--|----------------------|---------------------|--|
| <u>HR Consolidation</u> | | | |
| Phase I | \$ -2,059,802 | \$ -2,059,802 | \$ -2,059,802 |
| Phase II | | -220,000 | -220,000 |
| Phase III/HRMS Efficiencies | | -1,125,000 | -1,125,000 |
| Subtotal HR Consolidation | <u>-2,059,802</u> | <u>-3,404,802</u> | <u>-3,404,802</u> |
| <u>HR Management System/Services</u> | | | |
| Implementation Fee (One Time) | | 3,500,000 | |
| Annual Cost of SaaS | | 3,000,000 | 3,000,000 |
| Total Impact | <u>\$ -2,059,802</u> | <u>\$ 3,095,198</u> | <u>\$ -404,802</u> |
| FTE Positions (numbers are cumulative) | -34.0 | -48.0 | -48.0 |
| HRMS = Human Resources Management System | | | |
| SaaS = Software-as-a-Service | | | |

Many of the employees currently performing HR functions in state agencies split their duties between HR and other core functions of the departments. The HR consolidation with amendment H-1291 may allow state agencies to reassign existing resources and positions currently used for HR purposes to other program areas associated with departments' missions. As a result, a portion of the expenditure reductions associated with HR consolidation could be offset through the reassignment employees that currently spend only a portion of their time performing HR work to other areas within the agencies.

The provisions of this amendment that eliminate the Abuse Education Review Panel will not have a fiscal impact.

Sources

Department of Administrative Services
Department of Public Health

/s/ Holly M. Lyons

April 22, 2013

The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.